



NATIONAL ASSOCIATION OF LETTER CARRIERS AFL-CIO

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TESTIMONY OF
VINCENT R. SOMBROTTO, PRESIDENT
NATIONAL ASSOCIATION OF LETTER CARRIERS

BEFORE THE
POST OFFICE AND CIVIL SERVICE COMMITTEE
U. S. HOUSE OF REPRESENTATIVES

WASHINGTON, D.C.
MARCH 1, 1984

CONGRESSIONAL TESTIMONY

MR. CHAIRMAN, MY NAME IS VINCENT R. SOMBROTTO. I AM PRESIDENT OF THE NATIONAL ASSOCIATION OF LETTER CARRIERS, AFL-CIO, A LABOR ORGANIZATION COMPRISED OF OVER 250,000 MEMBERS WHO ARE EITHER PRESENTLY EMPLOYED AS CITY DELIVERY CARRIERS BY THE U. S. POSTAL SERVICE OR WHO ARE RETIRED FROM SUCH EMPLOYMENT.

I WELCOME THIS OPPORTUNITY TO APPEAR BEFORE THE COMMITTEE TO BEGIN DISCUSSIONS ON THE DEVELOPMENT OF A SUPPLEMENTAL RETIREMENT PLAN FOR POSTAL AND FEDERAL EMPLOYEES HIRED AFTER DECEMBER 31, 1983. THIS NEED FOR SUCH A MAJOR PLAN CAME ABOUT LAST YEAR WHEN CONGRESS PASSED H. R. 1900, THE SOCIAL SECURITY AMENDMENTS OF 1983, WHICH PLACED NEW HIRES UNDER SOCIAL SECURITY IN ADDITION TO THE CIVIL SERVICE RETIREMENT SYSTEM. SINCE THAT TIME THE NALC AND THIS COMMITTEE HAVE WORKED TOGETHER TO PROVIDE TEMPORARY RELIEF FOR THOSE EMPLOYEES WHO OTHERWISE WOULD NOW BE PAYING A TOTAL OF 13.7% INTO THE TWO RETIREMENT PLANS IN 1984, AND 14% IN 1985.

DURING THE DEBATE ON THE ISSUE OF SOCIAL SECURITY COVERAGE, MR. CHAIRMAN, YOU AND THE LEADERSHIP OF THE HOUSE MADE A FIRM COMMITMENT THAT NOTHING IN THE SOCIAL SECURITY BILL WOULD IN ANY WAY ENDANGER THE EXISTING CIVIL SERVICE RETIREMENT SYSTEM. IN THE FEBRUARY 18, 1983 "DEAR COLLEAGUE" LETTER FROM YOU, SPEAKER O'NEILL AND WAYS AND MEANS CHAIRMAN ROSTENKOWSKI, YOU COMMITTED YOURSELVES TO OPPOSE ANY PROPOSALS TREATING FEDERAL RETIREES DIFFERENTLY -- SUCH AS THE COST-OF-LIVING ADJUSTMENT -- AND TO "OPPOSE ANY PROPOSAL WHICH WOULD THREATEN OR ADVERSELY AFFECT THE FINANCIAL INTEGRITY OF THE CIVIL SERVICE RETIREMENT FUND, OR THE ABILITY OF THAT FUND TO CONTINUE TO PAY BENEFITS PROMISED TO PARTICIPANTS IN THE CIVIL SERVICE RETIREMENT SYSTEM." WHILE WE DID NOT AGREE ON THE ISSUE OF COVERAGE, WE TOOK YOU AT YOUR WORD IN YOUR COMMITMENT TO PROTECT OUR RETIREMENT SYSTEM. AND I MIGHT ADD, MR. CHAIRMAN, YOU HAVE LIVED UP TO THAT COMMITMENT TOTALLY.

- 2 -

I APPLAUD YOU AND MEMBERS OF THIS COMMITTEE FOR ACTIVELY REFUTING OUR CRITICS WHO CONSTANTLY ATTACK OUR RETIREMENT SYSTEM BECAUSE OF THEIR POLITICAL LEANINGS OR SELF-INTERESTED AGENDAS. WE AGREE THAT THE EXISTING SYSTEM IS SOUND AND MEETS THE NEEDS OF THOSE ACTIVELY EMPLOYED AND THOSE WHO HAVE RETIRED. HOWEVER, THE CONTINUED ATTACKS ON THE CIVIL SERVICE RETIREMENT SYSTEM BY THIS ADMINISTRATION ARE UNWARRANTED AND UNNECESSARY. AS I TRAVEL ACROSS THIS GREAT LAND, I TALK EVERY DAY WITH ACTIVE LETTER CARRIERS WHOSE FAITH IN THEIR GOVERNMENT HAS BEEN SHAKEN BY THOSE WHO WANT TO DESTROY THEIR RETIREMENT BENEFITS AND CHANGE THE RULES IN MID-STREAM. I TALK TO RETIREES WHO RETIRED WITH A GUARANTEED ANNUITY, BUT ARE NOW BEING SUBJECTED TO THREATS TO MAINTAIN THE VERY STANDARD OF LIVING PROMISED BY THEIR GOVERNMENT. THESE ARE GOOD AMERICANS WHO SERVED THIS NATION WELL AND WHO, I MIGHT ADD, ACCEPTED A GOVERNMENT POSITION ON THE BASIS OF A GOOD FAITH RETIREMENT CONTRACT FROM THE CONGRESS.

I NOW LOOK FORWARD TO WORKING WITH YOU AND THE COMMITTEE TO DEVELOP A SUPPLEMENTAL RETIREMENT PLAN THAT MEETS THE NEEDS OF THE EMPLOYEES AND THE GOVERNMENT.

AS WE BEGIN TO DEVELOP A SUPPLEMENTAL PLAN, THERE ARE CERTAIN PARAMETERS AT THE OUTSET THAT MUST BE AGREED TO IF, INDEED, WE ARE TO REACH AN AGREEABLE SOLUTION.

FIRST, WE MUST REALIZE THAT DESIGNING AND ENACTING SUCH A RETIREMENT PLAN WHICH IS VIABLE, ATTRACTIVE AND NOT SUBJECT TO FREQUENT CHANGES, WILL BE A MAJOR UNDERTAKING. THIS ISSUE WILL NOT LEND ITSELF TO A SIMPLE SOLUTION, HURRIEDLY PUT TOGETHER AND SUBJECT TO CONSTANT REVISION. THERE ARE A GREAT MANY WAYS TO DESIGN SUCH A SYSTEM. WE MUST THEREFORE CAREFULLY GATHER THE DATA, WEIGH THE OPTIONS AND CONSIDER THE FUTURE AS WE PUT TOGETHER SUCH A PLAN. I APPLAUD THE COMMITTEE FOR THE TIMETABLE IT HAS ESTABLISHED FOR BEGINNING THE PROCESS.

- 3 -

SECOND, THE TWO SYSTEMS -- CIVIL SERVICE AND SOCIAL SECURITY -- CANNOT BE SIMPLY MIXED TOGETHER AND CALLED A UNIFIED RETIREMENT PLAN. THEY ARE DISTINCTLY DIFFERENT SYSTEMS, WITH GREATLY DIFFERENT GOALS. THE BASIC DESIGN OF CIVIL SERVICE RETIREMENT IS VASTLY DIFFERENT FROM SOCIAL SECURITY. ANY MIX WILL AT BEST BE DIFFICULT AND WILL POTENTIALLY CREATE ADMINISTRATIVE COMPLEXITIES.

WE MUST ALSO CONSIDER THE FACT THAT FOR MANY YEARS TO COME, WE ARE GOING TO HAVE EMPLOYEES, WORKING SIDE-BY-SIDE BUT COVERED BY TWO DIFFERENT RETIREMENT PLANS. TO AVOID DICHOTOMIZING OUR WORKFORCE, THERE MUST BE EQUITY BETWEEN THE CURRENT PLAN AND THE NEW SUPPLEMENTAL PLAN. WE MUST CREATE A CAREER-ORIENTED RETIREMENT PLAN THAT ENABLES THE GOVERNMENT TO ATTRACT AND RETAIN QUALIFIED AND SKILLED PERSONNEL. ONE ATTRACTION TO GOVERNMENT EMPLOYMENT HAS BEEN ITS RETIREMENT PLAN -- SOUND, SOLID AND GUARANTEED! TO CHANGE THAT IS TO DESTROY THE QUALITY OF THE FEDERAL WORKFORCE.

THIRD, ANY NEW SUPPLEMENTAL PLAN MUST PROVIDE A LEVEL OF BENEFITS WHICH ARE COMPARABLE TO THOSE RECEIVED BY EMPLOYEES NOW COVERED BY CIVIL SERVICE RETIREMENT. THE OVERALL ADEQUACY OF THE SYSTEM MUST BE RETAINED IN ORDER TO MAINTAIN EQUITY BETWEEN OLD AND NEW EMPLOYEES. SPECIFICALLY, I AM REFERRING TO THE AGE AND YEARS OF SERVICE REQUIREMENTS AND SALARY REPLACEMENT. A NEW EMPLOYEE MUST BE ABLE TO RETIRE WITH A COMPARABLE LEVEL OF ANNUITY BENEFITS FOR A SUPPLEMENTAL PLAN TO BE FAIR.

FOURTH, A SUPPLEMENTAL PLAN SHOULD CONTAIN PROVISIONS THAT AUTOMATICALLY SET ASIDE FUNDS FROM AGENCIES FOR THE RETIREMENT TRUST FUND WITHOUT NECESSITATING CONGRESSIONAL ACTION. THIS ENSURES THE SOLVENCY OF THE FUND AND PROTECTS IT AGAINST POLITICAL WHIMS AND ATTACKS, OR DIFFERENCES IN SPENDING PRIORITIES.

- 4 -

AFTER ALL, MR. CHAIRMAN, THIS SUPPLEMENTAL RETIREMENT PLAN IS NOT AN ENTITLEMENT, IT IS THE STAFF RETIREMENT PLAN FOR GOVERNMENT EMPLOYEES AND, THEREFORE, MUST BE TREATED AS SUCH.

LAST, THE BENEFITS PAID TO RETIREES BY A SUPPLEMENTAL PLAN MUST BE PROTECTED AGAINST INFLATION -- THE GREATEST ENEMY OF RETIRED AMERICANS LIVING ON A PLANNED RETIREMENT INCOME. ONLY THROUGH A FULL COST-OF-LIVING ADJUSTMENT CAN THE STANDARD OF LIVING OF RETIREES BE MAINTAINED. AND ONCE THAT FULL COST-OF-LIVING ADJUSTMENT IS GUARANTEED, CONGRESS MUST NOT ALLOW ANYONE TO THREATEN TO REDUCE OR ELIMINATE IT. EVEN PRIVATE SECTOR PENSION PLANS HAVE RECOGNIZED THIS PROBLEM AND HAVE GIVEN PERIODIC ADJUSTMENTS TO ACCOUNT FOR INFLATION. WHILE THESE ADJUSTMENTS HAVE FALLEN SHORT OF A FULL ADJUSTMENT, THEY ARE A STEP IN THE RIGHT DIRECTION TOWARD CORRECTING ONE OF THE MAJOR FLAWS IN PRIVATE SECTOR PENSIONS.

ALSO ALLOW ME TO ONCE AGAIN SET THE RECORD STRAIGHT FOR THOSE WHO ARE MISLEAD BY POPULAR MISCONCEPTIONS IN THE MEDIA ABOUT THE INCOME OF RETIRED EMPLOYEES VERSUS CURRENT EMPLOYEES. THE LAW PROHIBITS THE COST-OF-LIVING ADJUSTMENT TO GIVE A POSTAL OR FEDERAL RETIREE A GREATER ANNUITY THAN THAT INDIVIDUAL WOULD RECEIVE IF STILL EMPLOYED. THIS IS TO REFUTE THOSE WHO LEAD THE PUBLIC TO BELIEVE INDIVIDUALS ARE EARNING \$100,000 A YEAR AS A RETIREE, BUT WOULD ONLY BE GETTING \$15,000 PER YEAR IF STILL WORKING.

MR. CHAIRMAN, I HAVE OUTLINED THE PARAMETERS FOR A SUPPLEMENTAL RETIREMENT PLAN. I BELIEVE THESE PARAMETERS ARE REALISTIC AND CLEARLY WITHIN THE POWER OF CONGRESS TO ENACT. IF INCORPORATED INTO THE NEW PLAN, WE WILL BE ABLE

- 5 -

TO CONTINUE THE COMMITMENT CONGRESS MADE TO ITS EMPLOYEES
OVER 60 YEARS AGO WHEN IT FIRST ESTABLISHED A STAFF
RETIREMENT PLAN FOR ITS EMPLOYEES.

I WILL BE MORE THAN HAPPY TO ANSWER ANY QUESTIONS
THE COMMITTEE MAY HAVE.